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LANL's Digital Supply Chain Transformation with Ariba Part 2

Christine Hipp
ASM Center of Excellence Group Leader

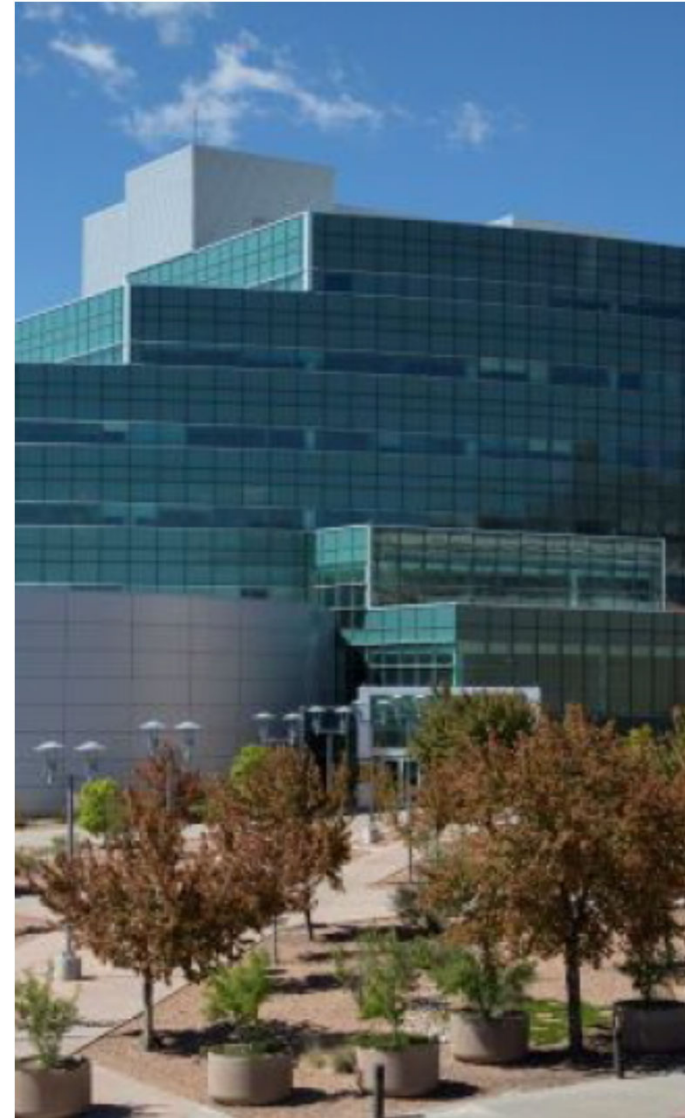
January 27, 2022



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Who We Are....

- Los Alamos National Laboratory is currently managed by Triad National Security LLC, composed of Battelle, Texas A&M University System and the University of California
- Located in Los Alamos, NM about a 45 minute drive northwest of Santa Fe
- Established in 1943 as part of the Manhattan Project to build the first Atomic Bomb during WWII
- What we do today:
 - Nuclear Deterrence Stockpile Stewardship
 - Protecting against Nuclear Threats
 - Emerging Threats, Cybersecurity
 - Energy Security Solutions



LANL's Journey to a Supply Chain Transformation

- LANL's budget continues to increase. Our annual procurement spend has increased from approximately 750 million two years ago to 1.4 Billion in FY21
- Procurement for LANL is a mix of indirect and direct but had limited managed spend – more standalone orders vs master contracts
- The level of transformation we were looking to achieve required a comprehensive approach, encompassing people, processes and software solutions



ASM's Transformation SWOT Analysis

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none">• We have super-capable people• Clarity of Vision and Purpose• Executive Sponsorship• Commitment to transformation• Triad is expected to deliver change• Change management framework (PMO)• We “own” the enabling technology• A new portfolio of change agents• We can do anything, just not everything	<ul style="list-style-type: none">• Be freed-up to truly partner• Numerous emerging career paths• Automation of non-value add tasks• Outsourcing of insurance certificates• Centralization and specialization of skills• Exposure to best and “next” practices• Leverage the many professional development resources soon available
WEAKNESSES	THREATS
<ul style="list-style-type: none">• Conditioned to manual processes• Functional maturity	<ul style="list-style-type: none">• Inability to believe; fear of change• Failure to train, attract and retain talent

Don't **under-estimate** our chance for success

- ASM is *incredibly well positioned for transformation*
- Our potential constraints will be in *“upskilling” and attracting new talent*

Yet we **control both constraints!**

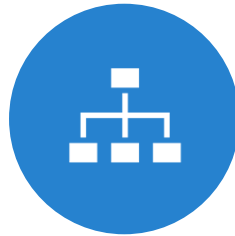
ASM's Full Procurement Transformation was guided by Four Pillars

HCK1



STRATEGY

Redefine
approach to
managing
procurements



STRUCTURE

Realigned
resources,
with deployed
and
centralized
teams



SKILLS

Enhance ASM
knowledge,
skills and
abilities to better
support LANL



SOLUTIONS

Focused on
modernizing
and
streamlining
our
procurement
systems and
processes

Our transformation also addresses several of the goals identified within the Lab Agenda — namely, improving systemic processes, enhancing small business participation and strengthening our community commitment.

Slide 5

HCK1

Hipp, Christine K, 1/22/2022

ASM Transformation – Major Business Objectives

Our Mission: Timely and compliant services delivered to the standards of the profession



STRATEGY

- Manage spend by segment:
 - Tier 1 – Strategic (>\$150K)
 - Tier 2 – Category Managed
 - Tier 3 – Tactical (\$10K-\$150K)
 - Tier 4 – Tail (<\$10K)
- Tier 1 spend is supported by senior ASM personnel
- Tier 2 spend is optimized for transactional efficiency
- Tier 3 spend is managed by an Operations team
- Tier 4 spend is largely “self-service” and “touchless”



STRUCTURE

- Implement a contemporary organizational structure:
 - Leadership & Administration
 - Center of Excellence
 - Supplier Management
 - Divisional Procurement
 - Strategic Sourcing
 - Procurement Operations
 - Compliance
- Establish functional job titles for the new organizational structure
- Recruit new talent for the restructured roles



SKILLS

- Implement an ASM Procurement Knowledge Framework
- ID critical competencies:
 - K1: LANL competencies
 - K2: GovCon competencies
 - K3: Professional best practices competencies
- Map from the ASM Knowledge Framework to the new organizational structure and functional job titles



SOLUTIONS

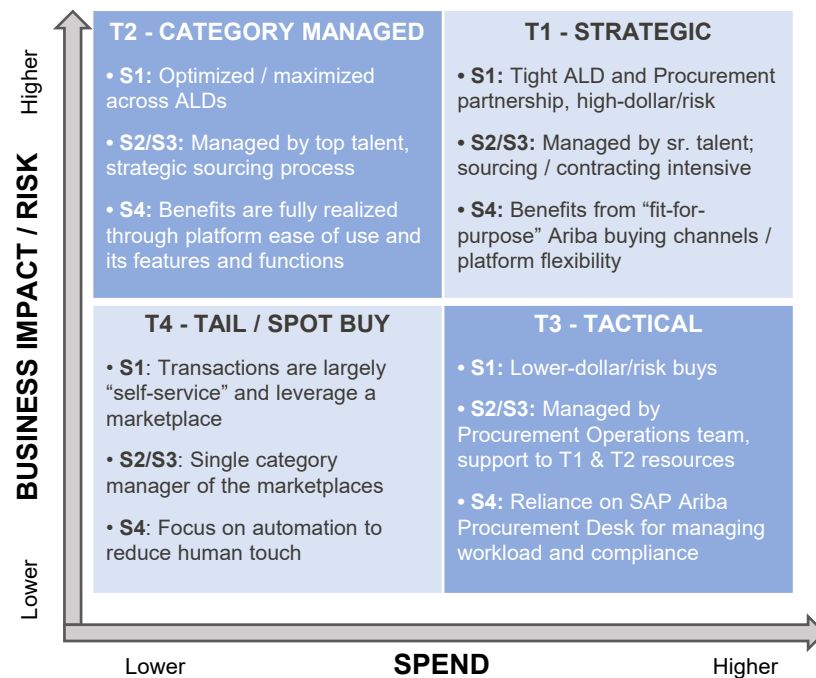
- “Consumer-simple” experience
- Deploy “best-in-class” procurement capabilities:
 - Supplier Qualifications
 - Sourcing
 - Contracting & Catalogs
 - Requisitions & Receiving
 - Buying & Invoicing
 - Supplier Network
 - Supplier Performance
- Cloud-deployed, multi tenant
- Quarterly functionality upgrades

LANL's Selection of SAP Ariba and Fieldglass Solutions



- Identifying Solutions that would support our full transformation included considering the following
 - The requirement for a provider with full Source to Pay modules was a primary driver in our selection process
 - Fieldglass was being utilized in our Contingent Labor current program and LANL managers and suppliers were familiar with it
 - LANL also utilizes SAP's Concur system for Travel Expenses
 - SAP's Ariba Sourcing module being used through the Supply Chain Management Center
 - We wanted to leverage a continuous improvement roadmap for our platforms requiring a mature partner with a strong commitment to customer satisfaction
- Ariba's full Source to Pay Suite offered the features which would meet our business transformation goals

Spend segmentation is a foundational strategy



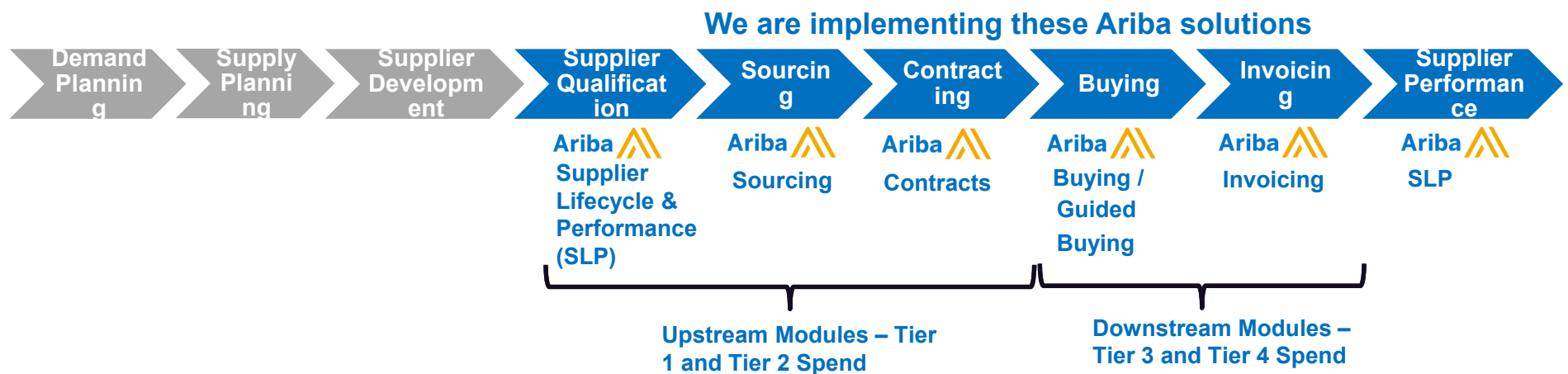
- Segmentation Tier thresholds

- Tier 1: >\$250K (Simplified Acquisition Threshold (SAT))
- Tier 2: Spend managed by Spend Category
- Tier 3: >\$10K and <\$250K (Micro-Purchase to SAT Thresholds)
- Tier 4: <\$10K

- Segmentation Benefits

- Establishes scale within procurement
- Enables professional growth and development
- Focuses talent on skills-appropriate activities
- Creates onboarding strategies for new talent

Introducing Ariba: A robust and integrated system to procure goods, services, equipment and materials.



Ariba will automate the end-to-end procurement process

What are the key process changes with Ariba Downstream?



Current State

Future State with Ariba

Marketplace

- Catalog shopping limited to Professional Buyer Community
- Catalog shopping is the only self service buying channel
- Less than 100,000 items available in our Marketplace
- Limited search capability frustrated end users



- Catalog shopping and Tactical Sourcing available to all
- Maximizing catalog availability, including onboarding of Ariba integrated catalog suppliers with 3 million + catalog items
- Maximizing Level 2 Punch-out and CIF catalogs – and prioritizing pictures create Amazon like experience

Guided Buying

- No centralized portal to procurement
- Little flexibility to drive the shopping experience



- Specialized Guided Buying tiles to quickly find items
- Tactical Sourcing offers a self-service shopping experience in addition to catalogs
- Ability to drive business to our small-business partners

Buying

- Tier 3 and Tier 4 spend, outside of catalog had to be done by core procurement staff
- Performing a lot of “phone orders”, minimal digital data to utilize for spend analysis



- Ability to obtain digital quotes from multiple suppliers through Collaborative Requisitioning
- Full visibility into full downstream order to pay process through both search and

Invoicing

- Manual processes for receiving and entering invoices
- Delayed invoice approval and payments



- Fully automated and digitized invoicing processes
- Quicker invoice approval cycle, with reduced supplier inquiries
- More timely payments to suppliers

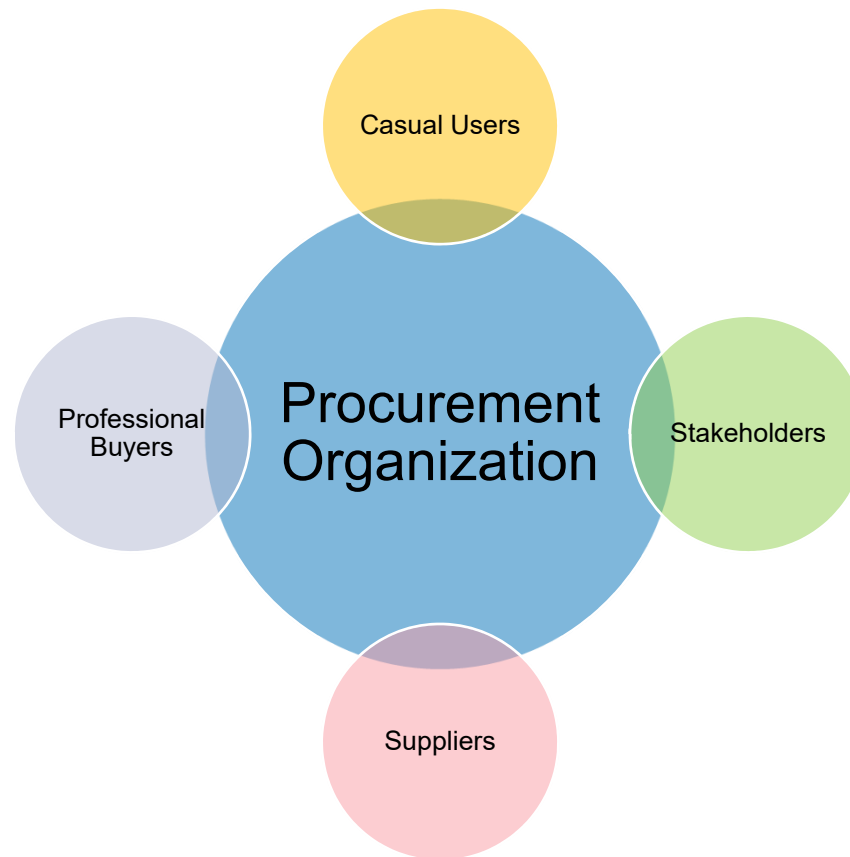
The integrated solutions and automated workflows in Ariba will provide significant benefits to all users

Ariba Downstream Modules Live on June 1, 2021



The screenshot displays the 'Los Alamos Guided Buying' interface. At the top, the header includes the Los Alamos National Laboratory logo and the title 'Guided Buying'. Navigation links for 'Shop', 'Your favorites', 'Your requests', and 'Your approvals' are visible. A large search bar with the placeholder text 'Find goods and services' is prominently featured. Below the search bar, a grid of category tiles is shown, including 'Raw Materials', 'Industrial Equipment', and 'Equipment Components & Supplies'. On the right side, a sidebar contains sections for 'Request on behalf of', 'Buy with a team', and 'Recent requests'. The 'Recent requests' section lists a specific request (CF1575) with details such as 'Submitted', 'Modification / Amendment to Existing Agreement Document', and 'Requested 44 days ago'.

Maximizing Efficiency through Digital Enablement



Optimizing access to our new tools allows us to harness the power of self-service for all Tier 3 and 4 commercial transactions

The new procurement systems and processes will have wide-reaching and positive impacts for all internal stakeholders

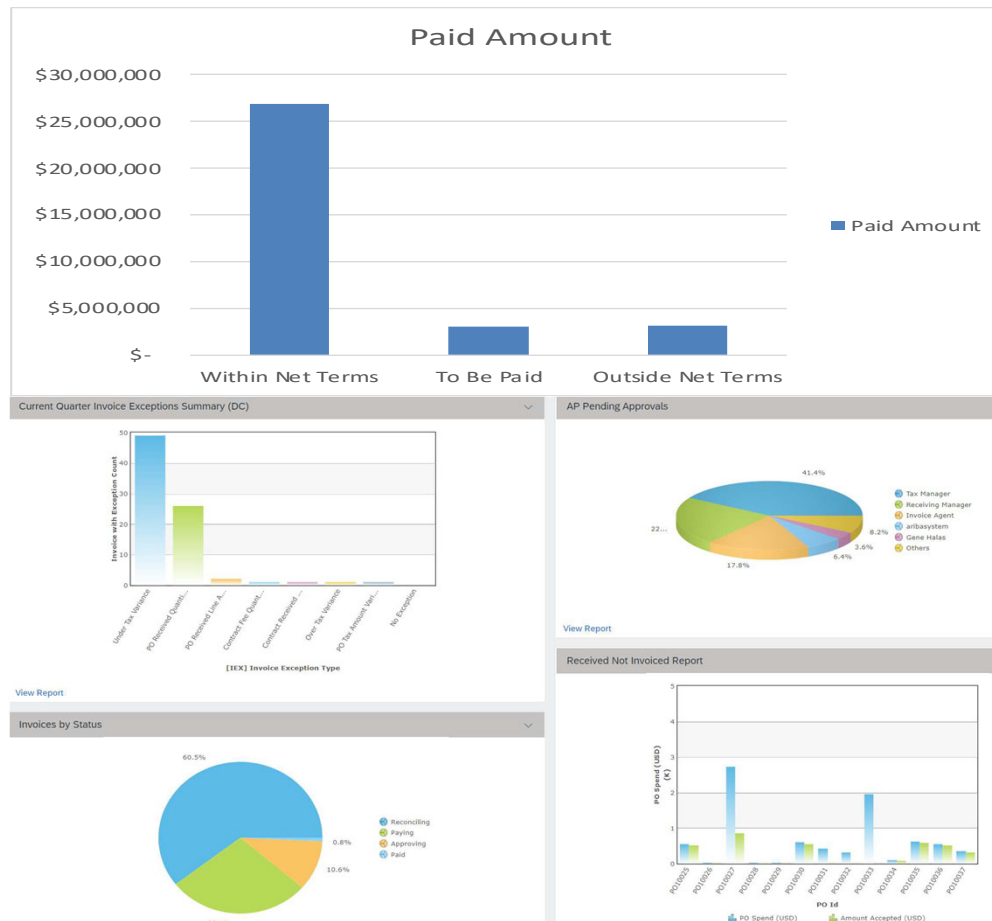


Your improved future experience

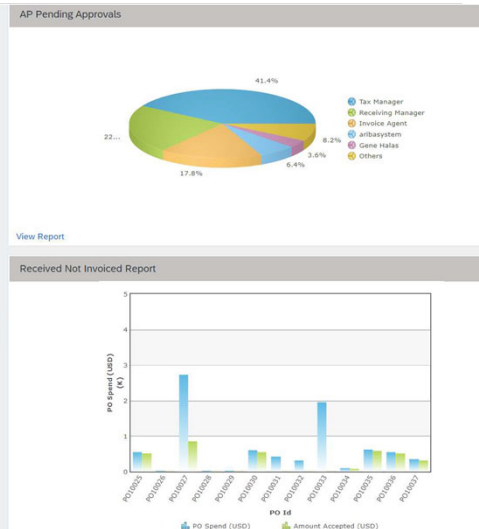
Our goal is to make it **faster** and **easier** for you to complete procurements

- ✓ Completely paperless/digital procurement process: **eliminating manual processes** and **increasing efficiency** of the overall process
- ✓ Automated workflows, PO creation and supplier communication: **reducing cycles times** of procurement transactions
- ✓ Visibility and transparency of procurement status at all times: **reducing the amount time needed** for follow up and monitoring of transactions
- ✓ Simplified, consumer-like, self-service buying experience: making it **easier for you** to find what you need
- ✓ Built-in compliance in the systems: **decreasing re-work** and **reducing errors**
- ✓ Standardized processes: **increasing consistency** and **reducing the “guess work”** involved in knowing what is needed to complete a procurement transaction

ASM is committed to partnering with you and meeting the needs of your organization

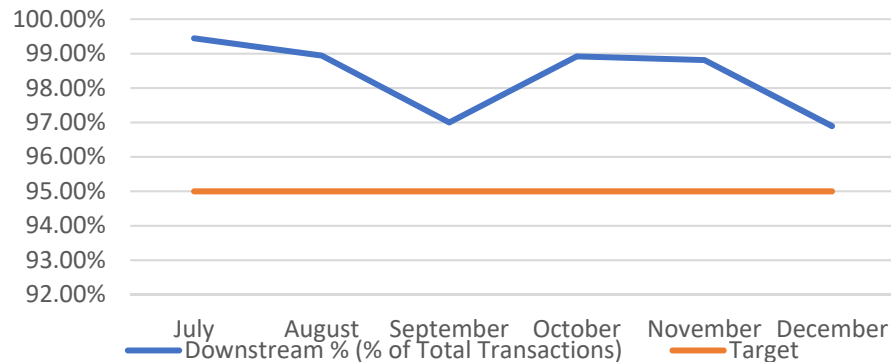


- Digitized invoice process leveraging the Ariba Network
- Smart invoicing; “clean” invoices
- Quicker invoice approval cycles, reduced supplier inquiries, improved compliance
- Maximize early-payment discounts
- Lower the risk of overpayment and fraud



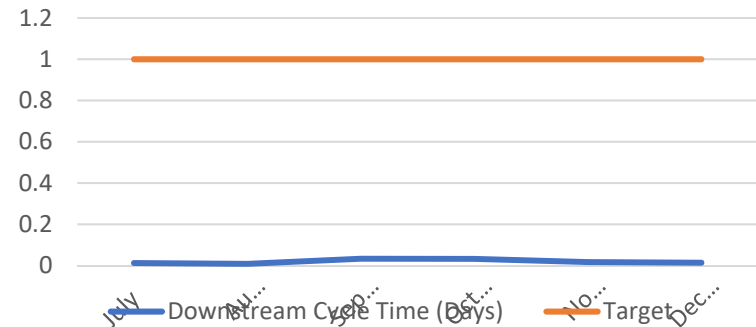
ASM Key Metrics for Downstream

Downstream Efficiency



- The laboratory is performing 96.90% of its transactions downstream and they are completed in an average of 1 day

Downstream Cycle Time



- Implementing preferred supplier program to set-aside all downstream transactions to small business
- Further training staff and suppliers on tactical sourcing and collaborative requisitioning to automate competition downstream



Key Takeaways

- Tactical purchasing (Tier 3) and Tail Spend (Tier 4) is now primarily self-service
- Procurement Specialists are freed up to focus on more strategic procurements, Tier 1 and Tier 2
- Ariba Dashboards allow for daily monitoring of transactional efficiency
- Robust and reliable data allows for comprehensive spend analytic reporting to manage the business
 - Weekly metric package presented to management – insights drive ability to drive agility
 - Spend data by category identifies opportunities for managed spend
 - Executive level dashboard demonstrates improvement and builds confidence in the procurement function

Moving to a Continuous Excellence Framework

- Center of Excellence Support Model
 1. COE Staff, partnered with Ariba AMS services and Ariba Best Practice Center, provides support
 2. IT Support for integrations to ERP
- Governance Structure Implemented for Change Control
- Change Review Board representing key area
 1. Tier 1, Compliance, Transformation Office, COE – sponsored by CPO
 2. Quarterly Release cycle to begin in Q1 of FY22
 - Coincides with Ariba Quarterly releases to ensure continuous adoption of new features
 - Focused on new projects – i.e. Spend Analytics implementation
 - Concentrated changes in an area of the software to achieve larger business impact and consolidate need for changes in training material and change management – ex. Buying and Invoicing for Q2 FY22
- Matrixed Solution Optimization Team reports into COE
 1. Two employees per module support emergent issues and minor enhancements
 2. Will build depth of knowledge within the Ariba modules

Questions

